

VZCZCXRO9287
RR RUEHWEB
DE RUEHEG #0629 1031054
ZNR UUUUU ZZH
R 131054Z APR 09
FM AMEMBASSY CAIRO
TO RUEHC/SECSTATE WASHDC 2185
INFO RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS CAIRO 000629

SIPDIS

STATE FOR NEA/ELA

E.O. 12958: N/A

TAGS: [ECON](#) [EINV](#) [EFIN](#) [ETRD](#) [PGOV](#) [EG](#)

SUBJECT: EGYPT'S ECONOMY: APRIL 13 WEEKLY PRESS ROUND-UP

¶1. (U) The following are notable economic news stories that appeared over the past week in the Egyptian press:

Inflation Declines

¶2. (U) According to the Egyptian government's official statistics agency, the Central Agency for Public Mobilization and Statistics (CAPMAS), urban inflation declined to 12.1 percent on a year to year basis in March. Annual food inflation dropped as well, registering 12.8 percent in March, compared to 14.4 percent in February. (Al Alam Al Yom, 4/9/09)

Upper Egypt- Red Sea Highway

¶3. (U) Minister of Transport Mohamed Mansour and Minister of Investment Mahmoud Mohieddin announced that the inauguration of the first phase of the Upper Egypt- Red Sea highway (from Sohag to Safaga) will take place in September 2009. Seventy-five percent of the LE 1.3 billion (US\$231 million) project has been completed. The second phase of the project will include doubling the road width to 34 meters. The project is one of Egypt's "mega projects," and is meant to lead to the development of 11 agricultural investment zones in the governorates of Assiut, Sohag and the Red Sea with a total area of 55 thousand feddans (57,090 acres). (Ahram and Akhbar, 4/8/09)

GPS Legalized in Egypt

¶4. (U) President Mubarak met with the Ministers of Telecommunication, Defense, and Interior. Following the meeting, the Minister of Telecommunication indicated that the government has approved the use of the GPS applications in mobile phones and in limousines. (All newspapers, 4/7/09)

Chinese to Build Gulf of Suez Economic Zone

¶5. (U) EgyptQTEDA, a Chinese company, won the international tender for the development of the economic zone northwest of Gulf of Suez. The company will develop about six square kilometers in the first phase (of a total allocated area of 20 square kilometers). During the first phase, the company will invest US\$49 million. Minister of Investment Mahmoud Mohieddin said that this economic zone would lead to the development of 150 industrial projects and would generate about 40,000 jobs. (Al Akhbar, 4/6/09)

Telecom

¶6. (U) After an international arbitration court ruled in favor of France Telecom's (FT) offer to buy Mobinil, Egypt's largest wireless

operator, Egypt's Capital Market Authority (CMA) has blocked the tender offer submitted by France Telecom (FT) to buy up the remaining Mobinil shares. The Arbitration Court of the International Chamber of Commerce decided that Orascom Telecom (OT) must sell its shares in Mobinil to FT. FT already owned about 36% percent of Mobinil, and under the arbitration ruling FT would acquire OT's 14% stake. The deal was estimated at US\$1.7 billion. Under Egyptian law, FT is now required to offer to purchase the remaining shares (which are traded on the stock exchange) at the same price that is being offered to OT. FT has offered less, and hence the CMA has blocked the deal. Mobinil has more than 20 million subscribers.

17. (U) Reports indicated that the tender offer submitted by FT to buy out minority shareholders for LE 187 (US\$33.20) per share, 33% higher than its current level, was far short of what was fair to shareholders. In a statement released Tuesday, FT said it "regrets" that the CMA rejected its proposal. "In the current circumstances, France Telecom considers it is not obliged by law or by market practice to launch a mandatory buyout offer," FT said. The CMA said that the tender offer submitted by FT was "far removed" from the share price cited by the arbitration court. As a result, "the authority has decided to reject the mandatory tender offer because it conflicts with the principles of equality" among shareholders. (All newspapers, 4/7/09)

SCOBAY